

**Company's Registered Number: 07430903**  
**Charity registration number: 1140719**

**THE LEGATUM INSTITUTE FOUNDATION**

**Trustees' Annual Report  
and financial statements  
for the year ended**

**31 December 2014**



**LEGATUM™  
INSTITUTE  
FOUNDATION**

# **THE LEGATUM INSTITUTE FOUNDATION**

## **CONTENTS**

## **PAGE**

|  |    |
|--|----|
| Trustees and advisers  | 1  |
| Chair's report   | 2  |
| Trustee's annual report  | 3  |
| Statement of trustees' responsibilities in respect of the financial statements | 7  |
| Auditor's report   | 8  |
| Statement of financial activities  | 10 |
| Statement of financial position  | 11 |
| Statement of cash flows  | 12 |
| Notes to the financial statements  | 13 |

# **THE LEGATUM INSTITUTE FOUNDATION**

## **TRUSTEES AND ADVISERS**

|  |  |   |
|--|--|---|
| <b>Trustees</b>                        | Toby Oliver James Baxendale<br>Richard Henry Briance<br>Alan James McCormick<br>Janie Marie Siebels<br>Robert Charles Vickers  |   |
| <b>Senior management personnel</b>     | Sian Hansen<br>Anne-Applebaum<br>Forum<br>Christina Odone  | Executive Director<br>Director of the Transitions<br><br>Director of Communications |
| <b>Registered and principal office</b> | 11 Charles Street<br>London<br>W1J 5DW   |   |
| <b>Bankers</b>                         | Metro Bank plc<br>120 Cheapside<br>London<br>EC2V 7JB<br><br>Barclays Bank plc<br>Leicester<br>LE87 2BB  |   |
| <b>Auditor</b>                         | Nexia Smith & Williamson<br>Statutory Auditor<br>Chartered Accountants<br>25 Moorgate<br>London<br>EC2R 6AY  |   |
| <b>Solicitors</b>                      | Bircham Dyson Bell LLP<br>50 Broadway<br>London<br>SW1H 0BL  |   |
| <b>Status</b>                          | The charity is a company limited by guarantee and incorporated and registered as a charity in England and Wales<br>Company's Registered Number: 07430903<br>Charity registration number: 1140719 |   |

## THE LEGATUM INSTITUTE FOUNDATION

### CHAIR'S REPORT

Following the transference of the activities of the Legatum Institute to the Legatum Institute Foundation ("the Foundation") in June 2014, I'm am delighted to report that the Foundation is now a fully functioning educational charity and a non-partisan global think tank, focused on researching, understanding and promoting prosperity in its broadest sense - looking at both wealth and wellbeing and to disseminate the results of our work for educational purposes.

This year has been a very busy and exciting year for us. We are particularly proud of our 2014 Prosperity Index™ which was downloaded nearly 60,000 times and endorsed by the UK's Chancellor of the Exchequer, George Osborne.

We have hosted over 100 successful events over the year, including the Prosperity Index™ launch, Boris Johnson on Athenian Civilisations and the Wellbeing Commission Launch.

We were successful in improving our reach through social media, increasing the number of Twitter followers by nearly 60% compared with 2013. We received over 709,000 visits to the Foundation's web properties.

We are incredibly fortunate to have illustrious writers and researchers committed to our programmes. During the year, they and the Foundation were regularly cited by; writing for; or broadcasting via such top tier outlets such as BBC Newsnight, BBC Question Time, The Times, CNN and Bloomberg.

I would like to issue a warm welcome to Richard Briance and Jane Siebel who joined the Board in May and June 2015 respectively.

In closing I would like to thank all of our sponsors who generously support our research programmes. I would also like to thank the growing Foundation community who engage across our platform, reading our research, and attend our events either in person or on-line through web-casts.



A J McCormick – Chair

23 September 2015

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT**

The trustees are pleased to present their annual report together with the financial statements of the charity for the year ending 31 December 2014.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association and Accounting and Reporting by Charities; Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **OUR PURPOSES AND ACTIVITIES**

The Foundation's objects, as set out in its articles, are to advance the education of the public in national and international political, social and economic policy, including the promotion of research in any of those areas and the publication of the useful results of such research.

As an international think tank and educational charity, the Foundation's overall strategy is to:

- undertake research covering national and international political, social and economic policy; and
- to disseminate the results of that research for educational purposes, so as to promote prosperity throughout the world.

This strategy will continue into 2015 and beyond with the Foundation bringing in additional programmatic work to extend our educational reach on prosperity to greater audiences around the world.

The Foundation runs dedicated research programmes, including Prosperity Studies, The Culture of Prosperity, Transitions Forum, and the Economics of Prosperity. These programmes cover economics and growth, transitioning countries, governance structures, understanding the historical element to current policy development, entrepreneurship and well-being. The research also covers core themes of freedom, democracy and liberty, and are focused on under researched areas of public policies. Through these programmes, the Foundation seeks to understand what drives and restrains national success and individual flourishing.

By holding events which are open to the public and publishing reports and educational material which are freely available on our website, we reach a diverse, global audience. The reports are co-published with Foreign Policy magazine and Democracy Lab, whose on-the-ground journalists report on political transitions around the world.

As part of its activities, The Foundation also published The Legatum Prosperity Index™. This index assesses a wide range of indicators including education, health, social capital, entrepreneurship and personal freedom to rank 142 countries. Published annually, the Index has become an essential tool for governments around the world.

The Foundation is based in London and is an independent charity within Legatum Foundation Limited, a private investment group with a 28 year heritage of global investment in businesses and programmes that promote sustainable human development.

We fulfil our educational purpose by making available the results of our research - all our research reports are freely available on both the li.com and Prosperity.com websites. In addition, we run a range of events through the year to promote our research findings. These findings are widely cited in the media, adding to the public's knowledge of the factors which enhance and sustain prosperity. Individuals also access the research findings directly, via the website and through our events.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT (continued)**

#### **OUR PURPOSES AND ACTIVITIES (continued)**

The Trustees use a variety of criteria in order to assess the success of the Foundation, including:

- Research
  - The number of research projects successfully undertaken
  - The number of research reports published
- Education
  - The extent to which the research outcomes are cited in the media
  - The number of downloads of the research reports
  - The number of events and the attendance at the events
- Other
  - The extent to which the research findings are used by Governments to assist in formulating policies

The Trustees consider that the wider impact of the Foundation's activities will be a general expansion of knowledge of the factors which promote and sustain prosperity. The Trustees expect that this in turn will ultimately lead to greater prosperity for all, particularly for those suffering in countries with current low levels of prosperity.

#### **ACHIEVEMENTS AND PERFORMANCE**

Our flagship research project, the annual Legatum Prosperity Index™, now in its 8th year, was published in November 2014 to great acclaim. Other highlights are listed below.

##### **Publications**

We published 37 reports. The 2014 Prosperity Index™ was downloaded nearly 60,000 times and endorsed by George Osborne. Our Wellbeing and Policy Report was downloaded over 17,000 times and the second Africa Prosperity Report was downloaded 7,000 times.

##### **Events**

We held 105 events during 2014 involving 4,500 guests. Highlights include the Prosperity Index™ launch; our Summer Party; Boris Johnson on Athenian Civilisations; Democracy Works roll-out; the Wellbeing Commission launch and the Charles Street Symposium.

##### **Social Media**

We had 35 million views of our Twitter content during 2014, and our Twitter followers increased by 58% over the period. YouTube views have increased by 80% compared with 2013 and subscribers are up by 77%.

##### **Media**

We had very successful media coverage during the launch of the 2014 Prosperity Index™; including in publications such as The Washington Post, Time Magazine, The Financial Times, Drudge Report, The Spectator, The Daily Telegraph plus several other international papers and broadcasts.

The Foundation or its spokespeople were regularly cited by, writing for or broadcasting via media outlets such as BBC Newsnight, BBC Question Time, The Times, CNN and Bloomberg.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT (continued)**

#### **FINANCIAL REVIEW**

The Foundation had a net surplus of £0.4m in the year to 31 December 2014 and net current liabilities of £168,000. As detailed below, the Foundation receives on-going support from the Legatum Foundation Limited and the Foundation is therefore able to meet its obligations.

The principal source of income was donations of £2.8m from the Legatum Foundation Limited.

#### **Going concern**

The Foundation's activities are currently funded from income from The Legatum Foundation Limited. The Foundation has confirmed that it will continue to support the Foundation to at least September 2016 and for this reason the Trustees consider the Foundation to be a going concern.

#### **Reserves Policy**

Due to the on-going financial support of Legatum Foundation Limited, the Foundation has no current requirement for reserves and as at the year end, the Foundation has negative free reserves of £195,119 (2013 – positive free reserves of £1,521.)

#### **Financial risks and uncertainties**

The most significant financial risk and uncertainty relates to the continuation of funding after September 2016. The Trustees will liaise closely with Legatum Foundation Limited over the coming year to ensure that they are informed as to the likely future funding and so that they can take appropriate action.

The Trustees note that the Legatum Prosperity Index™ has been funded and published for the last 8 years and they anticipate that it will continue to be funded beyond September 2016.

## **GOVERNANCE AND MANAGEMENT**

The Foundation is governed by its Trustees who, during the year and subsequently, were as follows:

|                             |                               |
|-----------------------------|-------------------------------|
| Peter Raymond Barnett       | (resigned on 23 March 2015)   |
| Toby Oliver James Baxendale |                               |
| Richard Henry Briance       | (appointed on 1 May 2015)     |
| Warren Harold Lancaster     | (resigned on 13 January 2014) |
| Alan James McCormick        |                               |
| Janie Marie Siebels         | (appointed on 29 June 2015)   |
| Robert Charles Vickers      |                               |

The Trustees confirm that they have had regard to the Charity Commission's guidance on public benefit.

Current Trustees are already familiar with the practical work of the charity and in most cases involve themselves actively in the programmes. New Trustees are sought from the fields of entrepreneurship, philanthropy, academia and business. Any new Trustee is presented with a comprehensive induction pack and has the opportunity to shadow a current Trustee and the Executive Director as well as meet all the senior programme researchers.

The Trustees confirm that they have reviewed the risks that the charity faces and taken appropriate steps to implement processes to manage those risks.

## THE LEGATUM INSTITUTE FOUNDATION

### TRUSTEES' ANNUAL REPORT (continued)

In the case of each person who was a Trustee at the time this report was approved:

- so far as that Trustee was aware there was no relevant audit information of which the Foundation's auditors were unaware; and
- that Trustee had taken all steps that the director ought to have taken as a Trustee to make himself or herself aware of any relevant audit information and to establish that the Foundation's auditors were aware of that information.

The Trustees are responsible for setting the overall strategy of the Foundation and for overseeing the delivery of that strategy. As part of these responsibilities, the Trustees approve the allocation of resources to the Foundation's various programmes.

The Foundation is managed on a day to day basis by the Executive Director. She is supported in this role by a team of eight, including the Director of the Transitions Forum and the Director of Communications. This wider team oversees the Foundation's various programmes and activities.

The Trustees consider that the Chief Executive is the sole member of the senior management team. Her remuneration is reviewed annually by the Trustees, using criteria which include the achievement of the Foundation's strategy and business plans, market data and the outcome of the annual appraisal review.

Details of the related parties are set out in the financial statements. As sole member, Legatum Institute has the power to appoint and dismiss trustees. In exercising this power, Legatum Institute seeks to ensure that there is always a majority of independent trustees.

#### Plans for future periods

The Foundation will continue with its current strategy, as set out above. Specific plans for the coming year include:

- strengthening the depth and breadth of our existing research programmes;
- expanding our Values of Prosperity research and boosting our work in economics policy research especially around the topics of:
  - the relationship between state and growth;
  - economic distortions;
  - size of debt levels globally; and
  - the productivity puzzle.
- We plan to continue to hold a large number of public events as well as improving our reach through social media and online streaming of film.
- Our Africa Report continued in 2015 with a successful conference in Tanzania in May 2015 on the use of data in African Growth and female entrepreneurship.

Approved by and signed on behalf of the trustees



A J McCormick – Trustee

23 September 2015



## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' RESPONSIBILITIES STATEMENT**

The trustees (who are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE FOUNDATION**

We have audited the financial statements of The Legatum Institute Foundation for the year ended 31 December 2014 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Statement of Cash Flow and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 7, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information provided in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE  
FOUNDATION (CONTINUED)****Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

**Other matter**

The comparative information presented in these financial statements is unaudited.

*Nexia Smith & Williamson*

**Andrew Bond**

Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY

*30/9/15*

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF FINANCIAL ACTIVITIES (Incorporating the income and expenditure account) for the year ended 31 December 2014

|   | Year ended 31 December 2014 |                     |                  | 13 months ended 31 December 2013 |                     |                 |
|---|-----------------------------|---------------------|------------------|----------------------------------|---------------------|-----------------|
|   | Un-<br>restricted<br>funds  | Restricted<br>funds | Total            | Un-<br>restricted<br>funds       | Restricted<br>funds | Total           |
|   | £                           | £                   | £                | £                                | £                   | £               |
| <b>Income and endowments from:</b>                        |                             |                     |                  |                                  |                     |                 |
| Donations   | 1,813,862                   | 1,000,060           | 2,813,922        | 2,500                            | -                   | 2,500           |
| Charitable activities                                     | -                           | 23,000              | 23,000           | -                                | -                   | -               |
| Other trading activities                                  | 41,498                      | -                   | 41,498           | -                                | -                   | -               |
| <b>Total</b>  | <b>1,855,360</b>            | <b>1,023,060</b>    | <b>2,878,420</b> | <b>2,500</b>                     | <b>-</b>            | <b>2,500</b>    |
| <b>Expenditure on:</b>                                    |                             |                     |                  |                                  |                     |                 |
| Raising funds   | 22,671                      | -                   | 22,671           | -                                | -                   | -               |
| Charitable activities                                     | 1,435,584                   | 1,023,060           | 2,458,644        | 20,979                           | -                   | 20,979          |
| <b>Total</b>  | <b>1,458,255</b>            | <b>1,023,060</b>    | <b>2,481,315</b> | <b>20,979</b>                    | <b>-</b>            | <b>20,979</b>   |
| <b>Net income/(expenditure) and net movement in funds</b> | <b>397,105</b>              | <b>-</b>            | <b>397,105</b>   | <b>(18,479)</b>                  | <b>-</b>            | <b>(18,479)</b> |
| Total funds brought forward                               | 1,521                       | -                   | 1,521            | 20,000                           | -                   | 20,000          |
| <b>Total funds carried forward</b>                        | <b>398,626</b>              | <b>-</b>            | <b>398,626</b>   | <b>1,521</b>                     | <b>-</b>            | <b>1,521</b>    |

All activities were acquired in the year and are continuing.

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF FINANCIAL POSITION as at 31 December 2014

|   | Notes | 2014<br>£        | 2013<br>£     |
|---|-------|------------------|---------------|
| <b>Fixed assets</b>                                     |       |                  |               |
| Property, plant and equipment                           | 11    | 593,744          | -             |
| Investments in subsidiaries                             | 12    | 1                | -             |
|   |       | <u>593,745</u>   | <u>-</u>      |
| <b>Current assets</b>                                   |       |                  |               |
| Debtors   | 13    | 29,554           | -             |
| Cash at bank and in hand                                |       | 267,844          | 16,358        |
|   |       | <u>297,398</u>   | <u>16,358</u> |
| <b>Creditors: amounts falling due within one year</b>   | 14    | (465,124)        | (14,837)      |
|   |       | <u>(167,726)</u> | <u>1,521</u>  |
| <b>Total assets less current liabilities</b>            |       | 426,019          | 1,521         |
| Creditors: amounts falling due after more than one year | 14    | (27,393)         | -             |
| <b>Net assets</b>                                       |       | <u>398,626</u>   | <u>1,521</u>  |
| <b>Funds</b>  | 16    |                  |               |
| Restricted funds  |       | -                | -             |
| Unrestricted funds                                      |       | 398,626          | 1,521         |
|   |       | <u>398,626</u>   | <u>1,521</u>  |

The financial statements were approved and authorised for issue by the Trustees on 23 September 2015 and were signed on their behalf by:

  
A J McCormick – Trustee

Company number: 07430903

**THE LEGATUM INSTITUTE FOUNDATION**

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2014**

|   | Notes | Year<br>ended 31<br>December<br>2014<br>£ | 13 months<br>ended 31<br>December<br>2013<br>£ |
|---|-------|---|--|
| <b>Cash flows from operating activities</b>                     |       |   |  |
| Net cash flow provided by / (used in) operating activities      | 17    | 834,350                                   | (15,762)                                       |
| <b>Cash flows from investing activities</b>                     |       |   |  |
| Purchase of property, plant and equipment                       |       | (582,864)                                 | -  |
| <b>Change in cash and cash equivalents in the year / period</b> |       | 251,486                                   | (15,762)                                       |
| Cash and cash equivalents as at beginning of the year / period  |       | 16,358                                    | 32,120   |
| <b>Cash and cash equivalents as at end of the year / period</b> |       | 267,844                                   | 16,358   |
| <b>Analysis of cash and cash equivalents</b>                    |       |   |  |
| Cash at bank and in hand  |       | 267,844                                   | 16,358   |

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

#### **1 Status of the Foundation**

The Legatum Institute Foundation (“the Foundation”) is a company limited by guarantee and is incorporated, and registered as a charity, in England and Wales. Its registered office address is 11 Charles Street, London, W1J 5DW.

In the event of the Charitable Company being wound up, the liability in respect of the guarantee is limited to £1 per member. At the start of the year, each Trustee was a member of the Foundation; during the year the Trustees resigned as members and Legatum Institute became the Foundation’s sole member (see note 20).

#### **2 Accounting policies**

The principal accounting policies are summarised below.

##### **Basis of preparation**

These financial statements are the first annual financial statements of the Foundation prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) and with the Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with FRS 102 issued in 2014. The financial statements are also prepared in accordance with the Companies Act 2006 and the Charities Act 2011.

The Foundation is a public benefit entity, as defined by FRS 102.

The company has adopted FRS 102 before the mandatory application date of 1 January 2015 as permitted by section 1, and in accordance with the requirements of Section 35, of that standard. The first date at which FRS 102 was applied was 1 December 2012. In accordance with FRS 102 the Foundation has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102.

Further information about the transition to FRS 102 can be found in note 23.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the company’s accounting policies.

##### **Non-consolidation**

The Foundation’s subsidiary company was dormant throughout the period to 31 December 2014 and therefore the Foundation is exempt from preparing consolidated financial statements. Accordingly, these financial statements present information about the Foundation as an entity.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The Trustees have prepared the financial statements using the going concern basis.

The vast majority of the charity's income is derived from Legatum Foundation Limited (see notes 20 and 21), either in the form of sponsorship income or donations. The sponsorship income is paid in accordance with an enduring contract; however this contract can be terminated by either party by giving three months' notice. The Foundation has no contractual right to the donations.

The Trustees are confident that Legatum Foundation Limited will continue to provide sufficient funds to the Foundation to enable it to continue its activities for a period at least until September 2016 and for this reason they have adopted the going concern basis for the preparation of the financial statements.

##### **Revenue**

Revenue from exchange contracts is measured at the fair value of the right to consideration and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

Sponsorship income is recognised as the services are provided, based on the Trustee's best estimate of progress against the relevant contract and amounts which will ultimately become due under the contract.

Fundraising trading income is recognised as the services are provided.

Income from non-exchange transactions are recognised when the Foundation has entitlement to the income, when the income can be reliably measured and when it is more probable than not that the Foundation will receive the income. Specifically, donations are included in the financial statements when received or, in the case of donations from Legatum Foundation Limited, when the Foundation is notified of them.

To the extent that they are material, donated services are recognised at their estimated value to the charity.

##### **Expenses**

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the Foundation in the delivery of its charitable activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Indirect costs are apportioned to charitable activities and other activities based on the estimated proportion of time incurred by support staff in supporting the various activities.

##### **Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the income and expenditure account.



## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

#### **2 Accounting policies (continued)**

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the balance sheet date all leases are classified as operating leases.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

##### **Employee benefits**

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the balance sheet. Redundancy and similar costs are recognised when the relevant employees have been informed that a redundancy programme has commenced.

##### **Fund accounting**

Incoming resources from non-exchange transactions are categorised as restricted when the counter-party imposes restrictions as to the use of the funds. Any interest earned on restricted funds is also categorised as restricted income. All other incoming resources are categorised as unrestricted.

Direct and indirect expenditure relating to restricted income is categorised as restricted expenditure to the extent that it is covered by available restricted funds; any excess expenditure is classified as unrestricted.

##### **Property, plant and equipment**

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used on a straight line basis:

|                        |   |                                      |
|------------------------|---|--------------------------------------|
| Leasehold improvements | - | Shorter of lease term or useful life |
| Computer equipment     | - | 33% (3 years)                        |

Only assets having a cost in excess of £1,000 are capitalised.

##### **Impairment of non-financial assets**

At each balance sheet date, tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest relevant levels; for assets used for charitable purposes, the levels are considered by reference to separately identifiable charitable activities; for those assets used for fundraising trading purposes, the levels used are those for which there are separately identifiable cash flows. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of financial activities.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

#### **2 Accounting policies (continued)**

##### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provision for impairment.

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the Foundation becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Foundation will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Foundation's cash management.

Other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable, which is ordinarily equal to the proceeds received. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

##### **Taxation**

The Foundation is exempt from tax on its activities provided that the surpluses are used for charitable activities. Therefore no provision for direct or deferred tax arises.

#### **3 Key judgements and sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

##### **Judgements**

The most significant judgement made by the Trustees in preparing the financial statements relates to the use of the going concern basis for the preparation of the financial statements, as described in note 2.

Other judgements relate to the basis on which support costs are allocated to the various activities of the Foundation and the assessment of the assets and liabilities arising on acquisition (note 22).

##### **Estimation uncertainty**

The only significant sources of estimation uncertainty relates to the expected useful economic life of the property, plant and equipment, and the method by which support costs are apportioned to charitable and other activities. The useful economic lives of property, plant and equipment are detailed above. Support costs are apportioned on the estimated time that relevant staff spend supporting on each charitable and other activity; this is estimated based on the direct expenditure for each activity.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

### 4 Income from donations

|                            | Year<br>ended 31<br>December<br>2014<br>£ | 13 months<br>ended 31<br>December<br>2013<br>£ |
|----------------------------|---|--|
| Unrestricted:              |   |  |
| Legatum Foundation Limited | 1,778,862                                 | -  |
| Other                      | 35,000                                    | 2,500  |
|                            | <u>1,813,862</u>                          | <u>2,500</u>                                   |
| Restricted:                |   |  |
| Legatum Foundation Limited | 982,200                                   | -  |
| Other                      | 17,860                                    | -  |
|                            | <u>1,000,060</u>                          | <u>-</u>                                       |
|                            | <u>2,813,922</u>                          | <u>2,500</u>                                   |

The restricted donations are analysed as follows:

| Year ended 31 December<br>2014 | Prosperity<br>studies<br>£ | Economics<br>of<br>prosperity<br>£ | Culture of<br>prosperity<br>£ | Transitions<br>forum<br>£ | Total<br>£       |
|--------------------------------|----------------------------|------------------------------------|-------------------------------|---------------------------|------------------|
| Restricted donations           | <u>315,000</u>             | <u>170,000</u>                     | <u>110,060</u>                | <u>405,000</u>            | <u>1,000,060</u> |

### 5 Income from charitable activities

The income from charitable activities relates to the fee paid by Legatum Foundation Limited to the Foundation for maintaining the Prosperity Index™.

There was no corresponding income for the 13 months to 31 December 2013.

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

**6 Analysis of expenditure on charitable activities:**

| <b>Year ended 31 December<br/>2014</b>   | <b>Prosperity<br/>studies<br/>£</b> | <b>Economics<br/>of<br/>prosperity<br/>£</b> | <b>Culture of<br/>prosperity<br/>£</b> | <b>Transitions<br/>forum<br/>£</b> | <b>Total<br/>£</b> |
|--|-------------------------------------|--|--|------------------------------------|--------------------|
| Staff costs                              | 198,919                             | 63,325                                       | 18,195                                 | 258,451                            | 538,890            |
| Travel, conference and<br>catering costs | 35,122                              | 8,231  | 15,001                                 | 35,301                             | 93,655             |
| Printing and stationary                  | 1,297                               | -  | -                                      | -                                  | 1,297              |
| IT related costs                         | 1,438                               | -  | 1,255                                  | 1,152                              | 3,845              |
| Advertising, PR and<br>marketing         | 1,954                               | -  | -                                      | -                                  | 1,954              |
| Corporate communication<br>costs         | 42,570                              | 1,669  | 7,470                                  | 6,865                              | 58,574             |
| Consultancy and agency fees              | 126,612                             | 11,650                                       | 44,930                                 | 77,908                             | 261,100            |
| Sundry                                   | 2,402                               | 420  | 493                                    | 858                                | 4,173              |
| Total direct costs                       | 410,314                             | 85,295                                       | 87,344                                 | 380,535                            | 963,488            |
| Allocated support costs (note<br>7)      | 631,039                             | 134,456                                      | 137,685                                | 591,976                            | 1,495,156          |
| Total                                    | 1,041,353                           | 219,751                                      | 225,029                                | 972,511                            | 2,458,644          |

The expenditure in the 13 months to 31 December 2013 related to Prosperity Studies and comprised solely of allocated support costs.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

### 7 Support costs

| Year ended 31 December<br>2014        | Communi-<br>cations and<br>marketing<br>£ | Centre and<br>operations<br>£ | Gover-<br>nance<br>£ | Total<br>£ |
|---------------------------------------|---|-------------------------------|----------------------|------------|
| Staff costs                           | 288,754                                   | 429,174                       | -                    | 717,928    |
| Travel, conference and catering costs | 11,168                                    | 30,995                        | -                    | 42,163     |
| Rent, utilities and insurance         | -   | 410,140                       | -                    | 410,140    |
| Fixtures, fitting & equipment         | -   | 30,928                        | -                    | 30,928     |
| Depreciation                          | -   | 21,970                        | -                    | 21,970     |
| Repairs and maintenance               | -   | 25,022                        | -                    | 25,022     |
| Memberships and subscriptions         | 15,691                                    | -                             | -                    | 15,691     |
| Printing and stationary               | -   | 7,283                         | -                    | 7,283      |
| IT related costs                      | 1,582                                     | 75,843                        | -                    | 77,425     |
| Corporate communication costs         | 4,460                                     | 3,814                         | -                    | 8,274      |
| Consultancy and agency fees           | 81,162                                    | 19,262                        | -                    | 100,424    |
| Sundry                                | 1,200                                     | 2,987                         | -                    | 4,187      |
| Governance (note 8)                   | -   | -                             | 56,392               | 56,392     |
| Total                                 | 404,017                                   | 1,057,418                     | 56,392               | 1,517,827  |

Support costs are allocated as follows:

| Year ended 31 December<br>2014 | Total<br>£ |
|--------------------------------|------------|
| Raising funds                  | 22,671     |
| Prosperity studies             | 631,039    |
| Economics of prosperity        | 134,456    |
| Culture of prosperity          | 137,685    |
| Transitions forum              | 591,976    |
| Charitable activities          | 1,495,156  |
| Total                          | 1,517,827  |

Support costs apportioned to raising funds are based on the direct costs relating to the estimated time spent by the relevant staff on the trading activities, plus a corresponding proportion of other support costs incurred. The remaining support costs have been apportioned to the charitable activities in proportion to the direct costs.

The support costs for 2013 related to Governance costs – see note 8.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

### 8 Governance costs

|                            | Year<br>ended 31<br>December<br>2014 | 13 months<br>ended 31<br>December<br>2013 |
|----------------------------|--------------------------------------|---|
|                            | £                                    | £   |
| Auditor's fee              | 7,000                                | -   |
| Independent examiner's fee | -                                    | 2,100                                     |
| Legal and professional     | 49,392                               | 18,784                                    |
| Other                      | -                                    | 86  |
| Total                      | 56,392                               | 20,970                                    |

### 9 Employee information

|                               | Year<br>ended 31<br>December<br>2014 | 13 months<br>ended 31<br>December<br>2013 |
|-------------------------------|--------------------------------------|---|
|                               | £                                    | £   |
| Wages and salaries            | 994,817                              | -   |
| Social security costs         | 137,625                              | -   |
| All other staff related costs | 63,869                               | -   |
|                               | 1,196,311                            | -   |

The average number of persons, including directors, employed by the Foundation since 1 June 2014 was:

|                              | Number | Number |
|------------------------------|--------|--------|
| Prosperity studies           | 5      | -      |
| Economics of prosperity      | 2      | -      |
| Culture of prosperity        | 1      | -      |
| Transitions forum            | 6      | -      |
| Communications and marketing | 10     | -      |
| Centre and operations        | 8      | -      |
| Total                        | 32     | -      |

The average number employed throughout the year was 19 (2013 – nil).

### Trustees' remuneration

No trustees received any remuneration or expenses in the year (2013 – none).

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

### 9 Employee information - continued

#### Key management remuneration

Key management are defined as being the Trustees and the Chief Executive. Key management remuneration (which includes national insurance contributions and pension costs) was £156,356 (2013 - £nil); this sum covered services from 1 June 2014 to the year end.

#### Redundancy costs

During the year, redundancy costs of £18,100 (2013 - £nil) were incurred and paid by the Foundation.

#### Higher paid employees

The number of staff whose emoluments were in excess of £60,000 per annum was as follows:

|                     | Year<br>ended 31<br>December<br>2014 | 13 months<br>ended 31<br>December<br>2013 |
|---------------------|--------------------------------------|---|
|                     | Number                               | Number                                    |
| £60,001 - £70,000   | 1                                    | -   |
| £70,001 - £80,000   | 1                                    | -   |
| £110,001 - £120,000 | 1                                    | -   |
| £200,001 - £210,000 | 1                                    | -   |
| £230,001 - £240,000 | 1                                    | -   |
|                     | <hr/>                                | <hr/>                                     |

### 10 Surplus on ordinary activities is stated after charging/(crediting):

|  | Year<br>ended 31<br>December<br>2014 | 13 months<br>ended 31<br>December<br>2013 |
|--|--------------------------------------|---|
|  | £                                    | £   |
| Depreciation                               | 21,970                               | -   |
| Foreign exchange gains                     | (18,809)                             | -   |
| Operating leases – land and buildings      | 302,120                              | -   |
| Services provided by the company's auditor |                                      |   |
| For audit services                         | 7,000                                | -   |
| For other services:                        |                                      |   |
| Maintenance of payroll                     | 2,750                                | -   |
|  | <hr/>                                | <hr/>                                     |

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

**11 Property, plant and equipment**

|                               | <b>Leasehold<br/>improvements</b> | <b>Computer<br/>equipment</b> | <b>Total</b>   |
|-------------------------------|-----------------------------------|-------------------------------|----------------|
|                               | <b>£</b>                          | <b>£</b>                      | <b>£</b>       |
| <b>Cost</b>                   |                                   |                               |                |
| As at 1 January 2014          | -                                 | -                             | -              |
| Additions                     | 610,810                           | 4,904                         | 615,714        |
| Disposals                     | -                                 | -                             | -              |
| <b>As at 31 December 2014</b> | <b>610,810</b>                    | <b>4,904</b>                  | <b>615,714</b> |
| <b>Depreciation</b>           |                                   |                               |                |
| As at 1 January 2014          | -                                 | -                             | -              |
| Charge for the year           | 21,490                            | 480                           | 21,970         |
| Disposals                     | -                                 | -                             | -              |
| <b>As at 31 December 2014</b> | <b>21,490</b>                     | <b>480</b>                    | <b>21,970</b>  |
| <b>Net book value</b>         |                                   |                               |                |
| As at 31 December 2014        | 589,320                           | 4,424                         | 593,744        |
| As at 1 January 2014          | -                                 | -                             | -              |

**12 Investments in subsidiaries**

| <b>Cost</b>                   | <b>£</b> |
|-------------------------------|----------|
| As at 1 January 2014          | -        |
| Acquisition                   | 1        |
| <b>As at 31 December 2014</b> | <b>1</b> |

The Foundation owns 100% of the issued share capital of LIF Trading Limited, a company incorporated in England and Wales. The company has been dormant since incorporation and has issued share capital of £1.



**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

**13 Debtors**

|                                | <b>2014</b>   | <b>2013</b> |
|--------------------------------|---------------|-------------|
|                                | <b>£</b>      | <b>£</b>    |
| Trade debtors                  | 18,360        | -           |
| Prepayments and accrued income | 11,194        | -           |
|                                | <u>29,554</u> | <u>-</u>    |

**14 Creditors**

|  | <b>2014</b>    | <b>2013</b>   |
|--|----------------|---------------|
|  | <b>£</b>       | <b>£</b>      |
| <b>Creditors: amounts falling due within one year</b>          |                |               |
| Trade creditors  | 66,118         | -             |
| Accruals and deferred income                                   | 291,583        | 2,100         |
| Other tax and social security                                  | 107,423        | 12,737        |
|  | <u>465,124</u> | <u>14,837</u> |
| <b>Creditors: amounts falling due after more than one year</b> |                |               |
| Related party loans (note 21)                                  | 27,393         | -             |
|  | <u>27,393</u>  | <u>-</u>      |

**15 Financial instruments**

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Financial assets which are debt instruments measured at amortised cost   | 18,360      | -           |
| Financial assets which are equity instruments measured at amortised cost | 1           | -           |
| Financial liabilities measured at amortised cost                         | 242,887     | 14,837      |

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

### 16 Funds

|                         | At 1<br>January<br>2014<br>£ | Income<br>£ | Expend-<br>iture<br>£ | At 31<br>December<br>2014<br>£ |
|-------------------------|------------------------------|-------------|-----------------------|--------------------------------|
| <b>Restricted funds</b> |                              |             |                       |                                |
| Prosperity studies      | -                            | 338,000     | (338,000)             | -                              |
| Economics of prosperity | -                            | 170,000     | (170,000)             | -                              |
| Culture of prosperity   | -                            | 110,060     | (110,060)             | -                              |
| Transitions forum       | -                            | 405,000     | (405,000)             | -                              |
|                         | -                            | 1,023,060   | (1,023,060)           | -                              |
| Unrestricted funds      | 1,521                        | 1,855,360   | (1,458,255)           | 398,626                        |
|                         | 1,521                        | 2,878,420   | (2,481,315)           | 398,626                        |

The restricted funds relate to the Foundation's various programmes, as follows:

- Prosperity studies – the study of and measurement of countries' success against a broad set of metrics covering areas such as health, education, opportunity, social capital and personal freedom.
- Economics of prosperity - focused focuses on the key economic drivers of future prosperity and long-term GDP growth.
- Culture of prosperity – focused on the values that motivate individuals, societies and nations and which are reflected and encapsulated in the cultural achievements that endure, including increased prosperity.
- Transitions forum - the study of radical political and economic change through case studies, lectures and workshops, offering lessons learned for current and future transitions across the globe.

### 17 Reconciliation of net income/(expenditure) to cash flows from operating activities

|  | Year<br>ended 31<br>December<br>2014<br>£ | 13 months<br>ended 31<br>December<br>2013<br>£ |
|--|---|--|
| Net income/(expenditure) for the year as per the statement of financial activities | 397,105                                   | (18,479)                                       |
| Adjustments for:   |   |  |
| Depreciation   | 21,970                                    | -  |
| Movement in debtors  | (29,554)                                  | -  |
| Movement in creditors due within one year  | 417,436                                   | 2,717  |
| Movement in creditors due after more than one year                                 | 27,393                                    | -  |
|  | 834,350                                   | (15,762)                                       |

## THE LEGATUM INSTITUTE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

#### 18 Capital commitments

There were no capital commitments as at the year-end (2013 – none).

#### 19 Operating lease commitments

At 31 December 2014 the company had annual commitments under operating leases as follows:

|                            | 2014                  |                   | 2013                  |                   |
|----------------------------|-----------------------|-------------------|-----------------------|-------------------|
|                            | Land and<br>buildings | Other             | Land and<br>buildings | Other             |
|                            | £                     | £                 | £                     | £                 |
| For leases expiring        |                       |                   |                       |                   |
| Within one year            | -                     | -                 | -                     | -                 |
| Between two and five years | 2,495,417             | -                 | -                     | -                 |
|                            | <u>          </u>     | <u>          </u> | <u>          </u>     | <u>          </u> |

The Foundation's lease has a break date of 1 June 2017; either the landlord or the Foundation can exercise the break clause by giving six months' notice.

#### 20 Parent undertakings

The Foundation is a company limited by guarantee. In the period to 12 May 2014 its members were its trustees; on 12 May 2014 the Trustees resigned as members and Legatum Institute, a company registered in the Cayman Islands, became its sole member.

The Foundation's ultimate parent undertaking is Legatum Partnership LLP, a limited liability partnership registered in Jersey.

Neither Legatum Institute nor Legatum Partnership LLP have control for accounting purposes, as they do not receive benefits from the Foundation's activities.

#### 21 Related party transactions

Legatum Foundation Limited is controlled by the Foundation's ultimate parent undertaking. The Foundation received donations from Legatum Foundation Limited as detailed in the relevant notes to these financial statements. The donations were restricted as to their use but otherwise unconditional. The Foundation also entered into a sponsorship agreement with Legatum Foundation Limited. It is expected that the Foundation will commence to provide services under this agreement in the current year. As at the year end the balances due to Legatum Institute and to Legatum Foundation Limited were £15,374 (2013 - £nil) and £11,822 (2013 - £nil) respectively (see note 14).

During the year, Legatum Limited, a company controlled by the Foundation's ultimate parent undertaking, provided bookkeeping services to the Foundation. No charge was made in respect of this service and the estimated value of the service has not been recognised as it is considered to be immaterial.

During the year, the Foundation entered into a lease with Basswood Properties Limited, a company registered in the British Virgin Islands. This company is a related party as it is controlled by the Foundation's ultimate parent undertaking. During the year, the rent payable and paid to Basswood Properties was £94,167; as at the year end, there were no amounts outstanding.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)**

#### **22 Acquisition**

On 1 June 2014, the Foundation commenced to undertake the activities previously undertaken by Legatum Institute. This transfer of undertaking was effected by transferring the employment of the staff employed by Legatum Institute to the Foundation and by the Foundation entering into the sponsorship agreement as described above (note 21). In substance, these transactions comprise the acquisition of an undertaking. There was no consideration for the acquisition and no recognisable assets or liabilities arose on the acquisition and hence no goodwill arose.

All the activities of the Foundation in the year relate to this acquisition.

#### **23 Transition to FRS 102**

These financial statements are the Foundation's first financial statements that comply with FRS 102. The date of transition to FRS 102 was 1 December 2012.

The transition to FRS 102 has not resulted in any changes between the amounts presented previously under UK GAAP and those presented in compliance with FRS 102.